



# **First Health Services Corporation**

## **Re-gaining Control of Pharmaceutical Costs While Preserving Clinical Outcomes**

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**TennCare Bureau**



# Agenda

- Introductions
- TennCare Objectives
- Corporate Experience & Capabilities Overview
- First Health Services' Solution
- Implementation and Operations Plan
- Expected Results & Pricing
- Q&A, Discussion



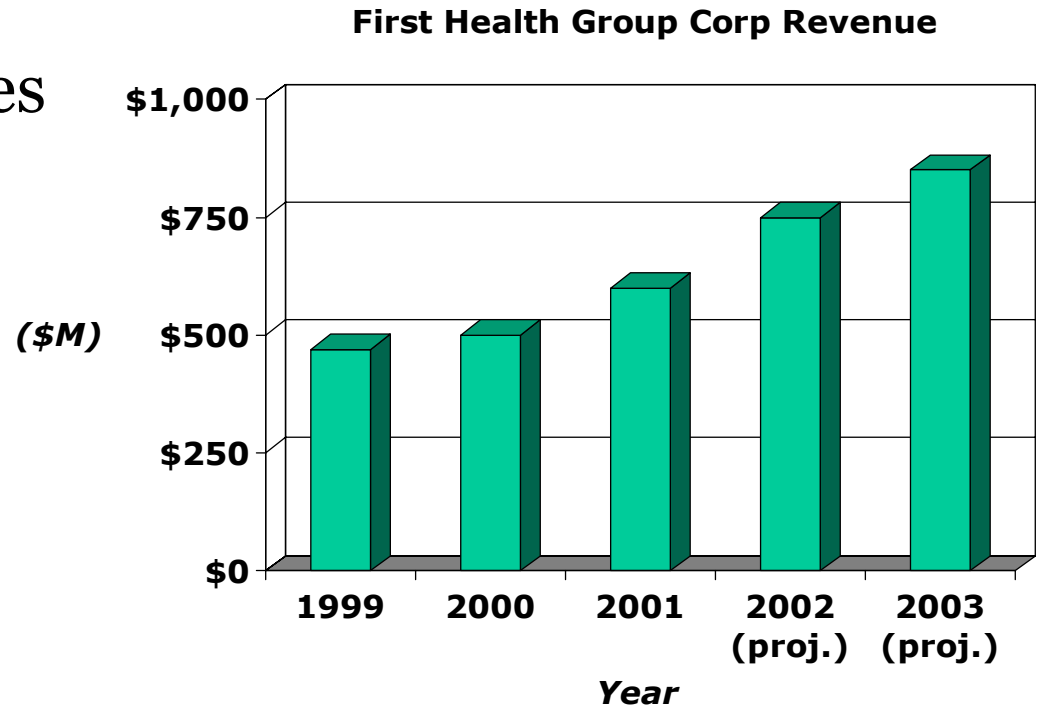
# TennCare Objectives

- Cut minimum \$150M in annualized Rx costs from FY04 TennCare budget
- Preserve clinical integrity of TennCare
- Gain TennCare provider participation in program success
- Transition seamlessly from current program to future operations
- Position TennCare for continued cost containment

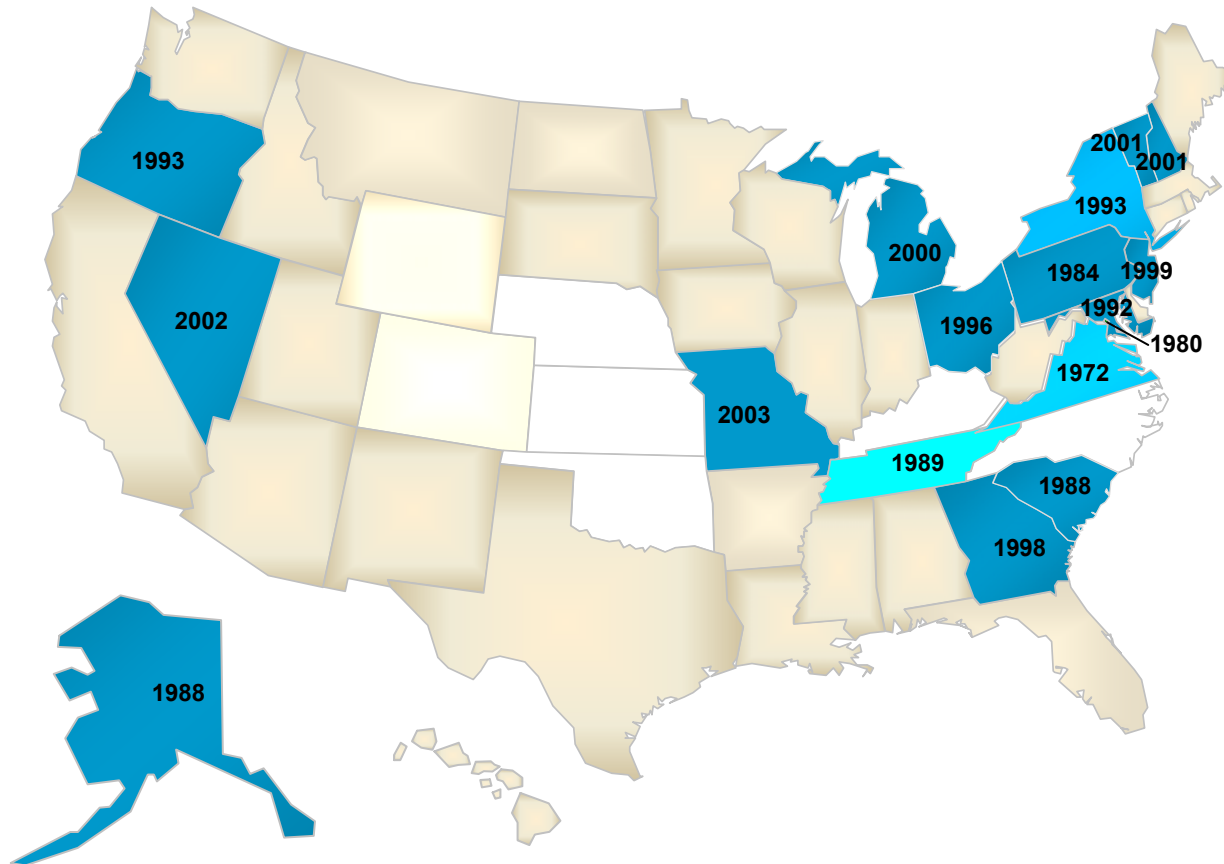
# First Health Services Corporation

## *Profile*

- Fiscal Agent Services
- Pharmacy Benefit Administration Services
- Healthcare Management Services



# First Health Provides PBA Services to 16 States



Note: Year indicates initial contract date for each state.



# First Health is a PBA, not PBM

## Pharmacy Benefits Administrator

- Transparent Business Model
- Admin Fees Only
- Work solely in interest of State/patient
- No Pharma \$ = No conflicts



# First Health Services Drug Management Programs

- Point-of-Sale Claims Processing
- Prospective & Concurrent DUR
- Prior Authorization of Medication Therapy
- Retrospective DUR
- Prescriber Education Programs
- Rebate Contracting & Administration
- Pharmacy Reimbursement Methodologies
- Preferred Drug Management System
- National Medicaid Pooling Initiative



Initiative	Estimated Minimum Savings	Estimated Maximum Savings
POS with Custom ProDUR <sup>1</sup>	5%	10%
PDL with Supplemental Rebates <sup>2</sup>	8%	17%
Clinical Review Services (Managed Access Process) <sup>3</sup>	3%	5%
Drug Rebate Management (OBRA '90) <sup>4</sup>	1%	3%
Maximum Allowable Cost (MAC) Implementation <sup>5</sup>	3%	5%

<sup>1</sup> Savings based on use of FHSC custom criteria and actual savings achieved in FHSC client States

<sup>2</sup> Savings will vary based upon level of manufacturer participation, PDL compliance and State decision-making about program design

<sup>3</sup> Savings vary based upon aggressiveness of clinical protocols

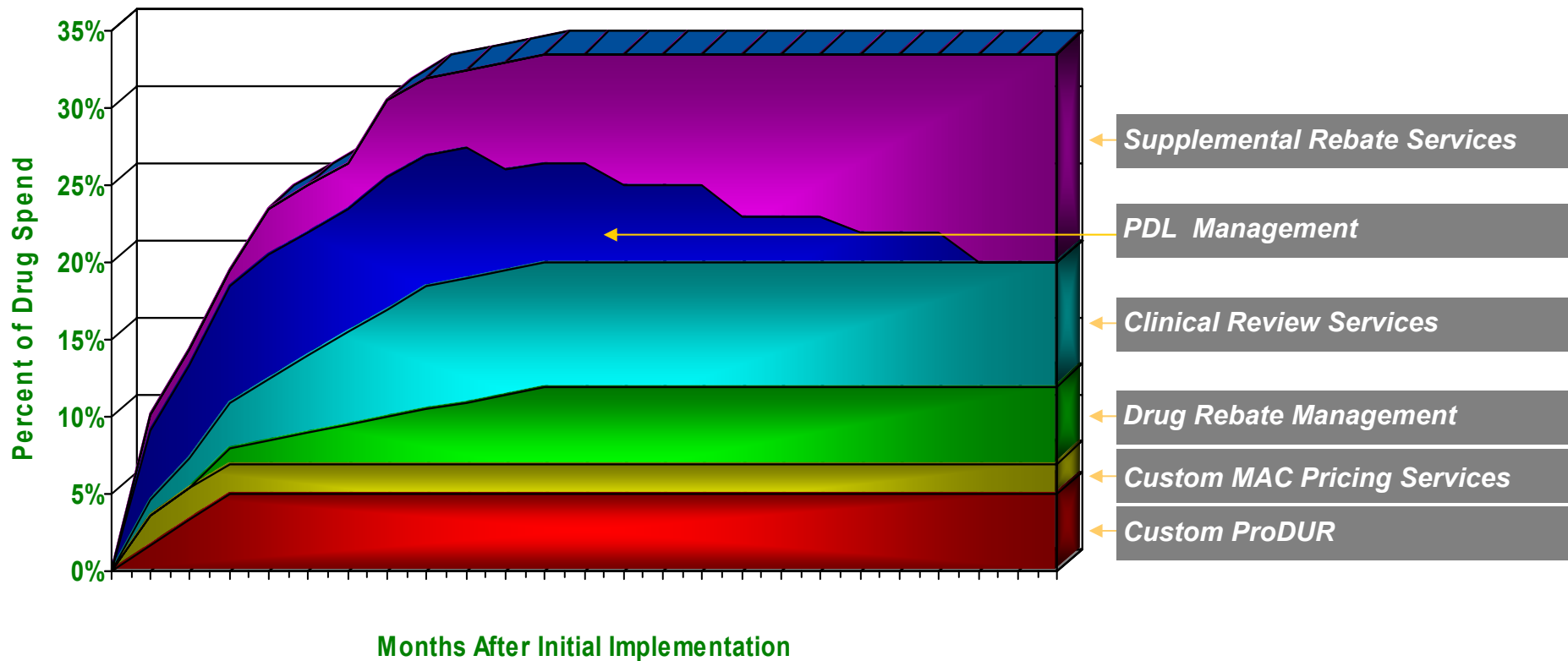
<sup>4</sup> Savings vary based upon State's current level of effectiveness in CMS rebate administration – typical collection rate excluding drug spend

<sup>5</sup> Savings vary based upon current pharmacy reimbursement levels



# Drug Spend Management Services

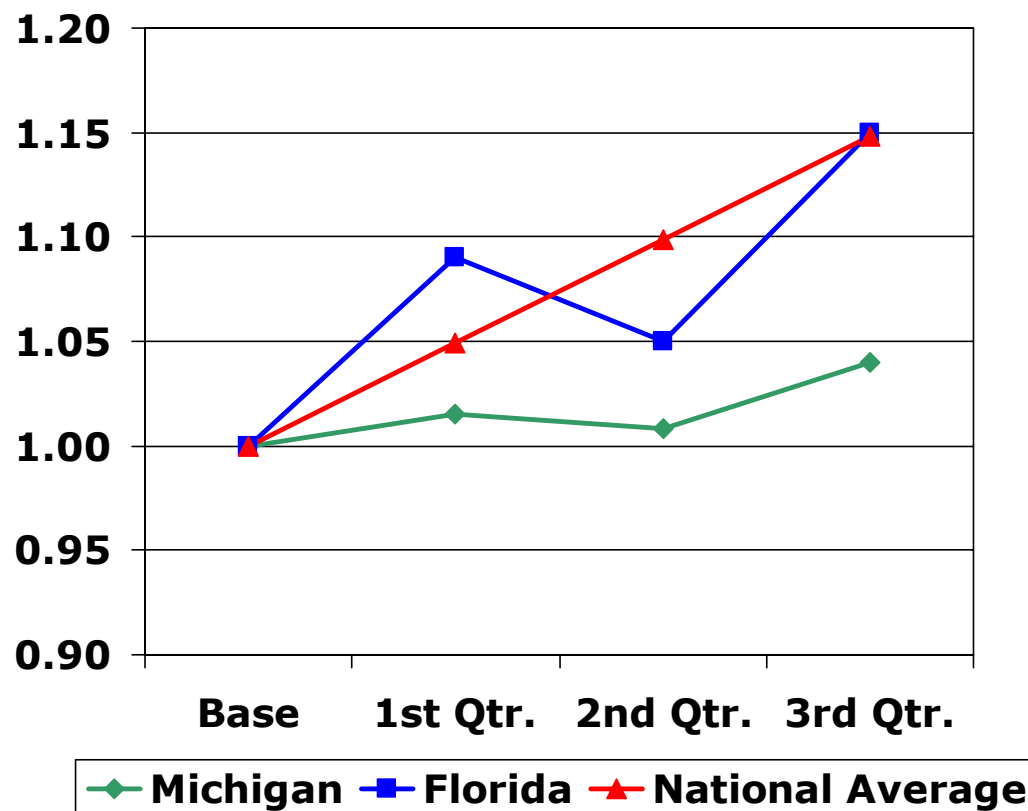
## Savings Potential of Various Programs



# Florida vs. Michigan Relative Cost-Savings Performance

## Trends:

- National Average = 19.8%
- Florida = 15.1% \*
- Michigan = 2.3%



\* *Florida results include effect of 4-brand limit initiative*




# PDL Models

- FH Model: Net Cost Per Day
  - Finds best net price among therapeutically equivalent brands, generics
  - Therapeutic equivalence determined by state-based P&T Committee
  - Shifts market share
- Rebate-driven Model (FL)
  - Maximizing discounts from existing brand use
  - Does not necessarily lower drug trend
- Voluntary Model (OR, MS)
  - 50% PDL compliance



# Therapeutic Category Targets

- Several cost saving opportunities
  - PPI's
  - Non-sedating antihistamines
- On the Horizon
  - SSRI's - fluoxetine, now paroxetine
  - Lipid-lowering agents
  - Anti-migraine drugs
- Remember - in a value-based market most major categories can churn

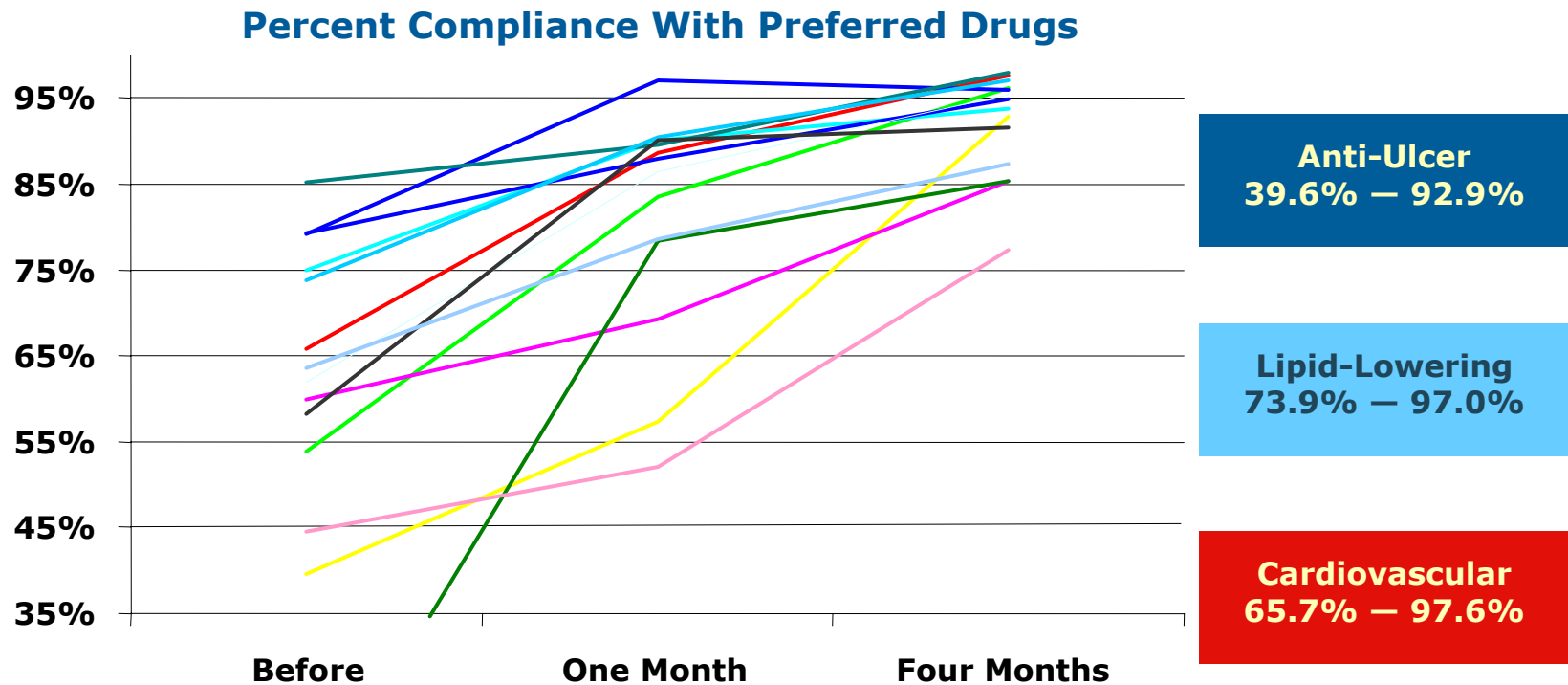


# **P&T or DUR Board deliberation – example PPI's**

- Clinical question- Do any of the PPI's warrant special consideration based on unique action or side effect profile? – NO
- Therefore is the P&T Committee willing to endorse a decision based on price – YES
- Do we have a pharmaceutical company willing to provide deep discounting to become a virtual exclusive provider of PPI's to the state? - YES
- The P&T Committees for all First Health clients to date have endorsed this approach and subsequently have saved their states literally millions of dollars.

# PDL Shifts Prescribing Patterns

**12 Month Overall Compliance Level = 95.68%**

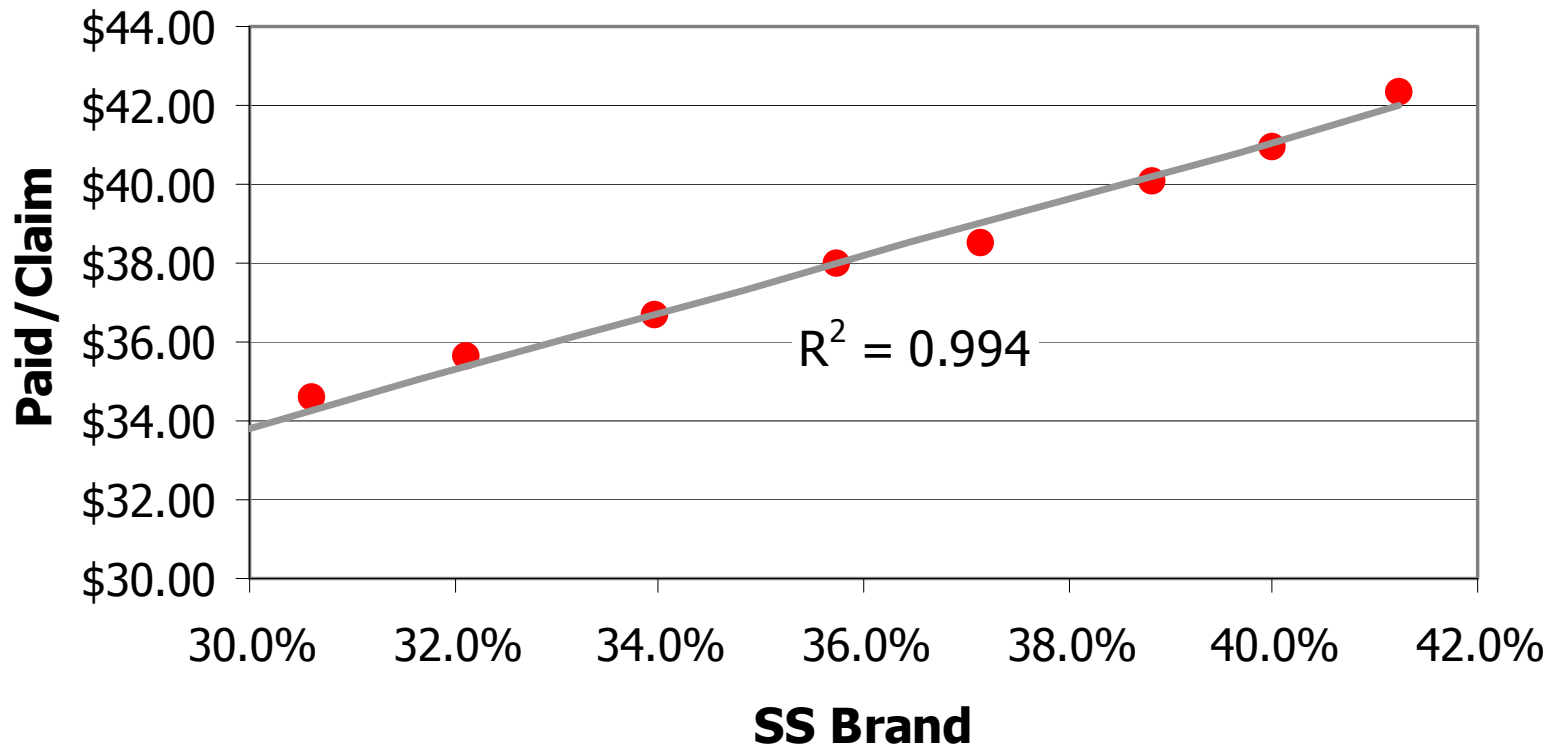




# Clinical Review, then Cost

- Therapeutic class analysis and annotated review
  - Clinical decisions first
- National P&T
  - Applies first tier analysis of issues
- State-based P&T
  - Final arbiter of PDL product selections
  - Consider net lowest cost among therapeutically equivalent products

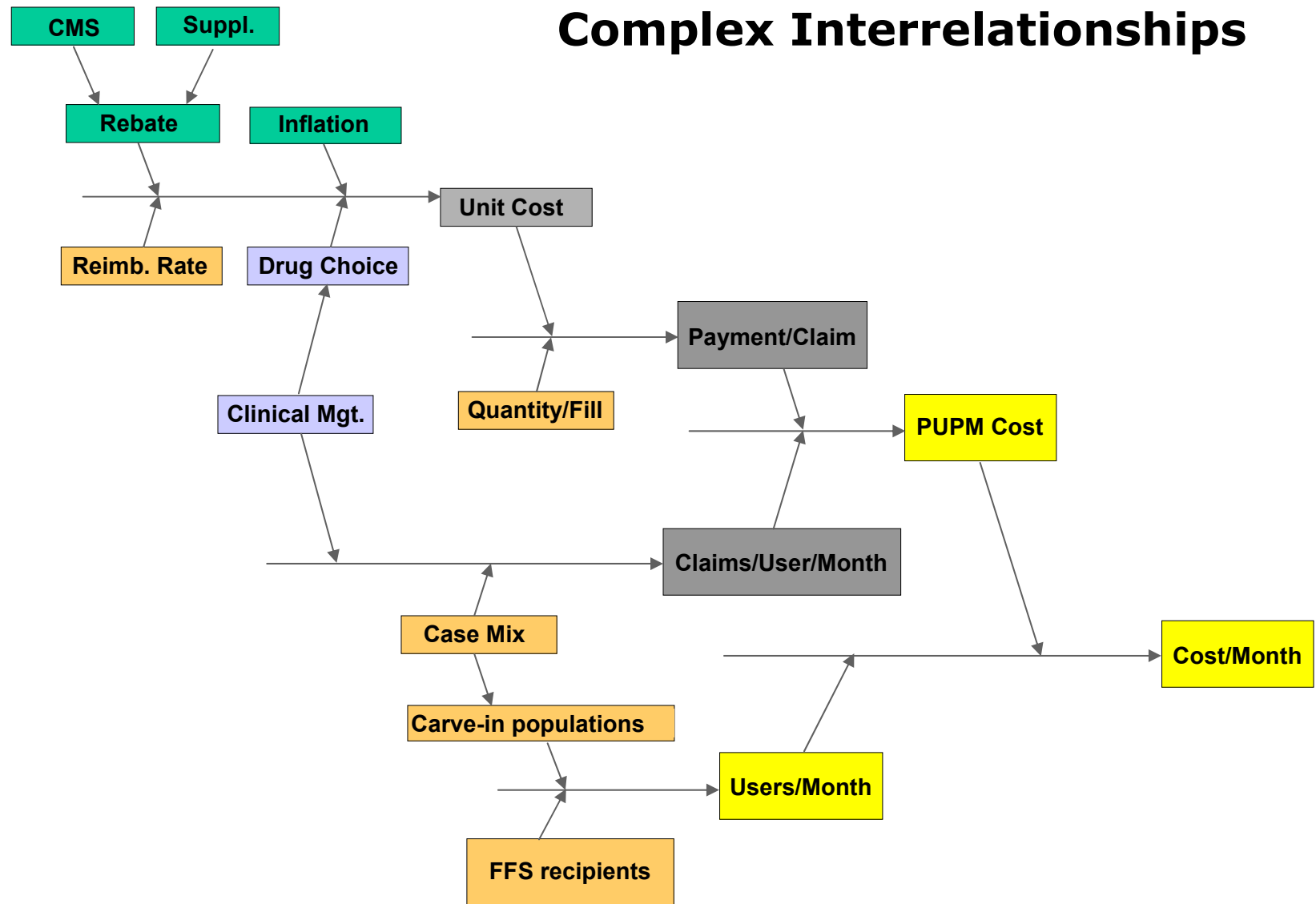
# Relationship Between Amount Paid/Claim & Utilization of Single-Source Brands



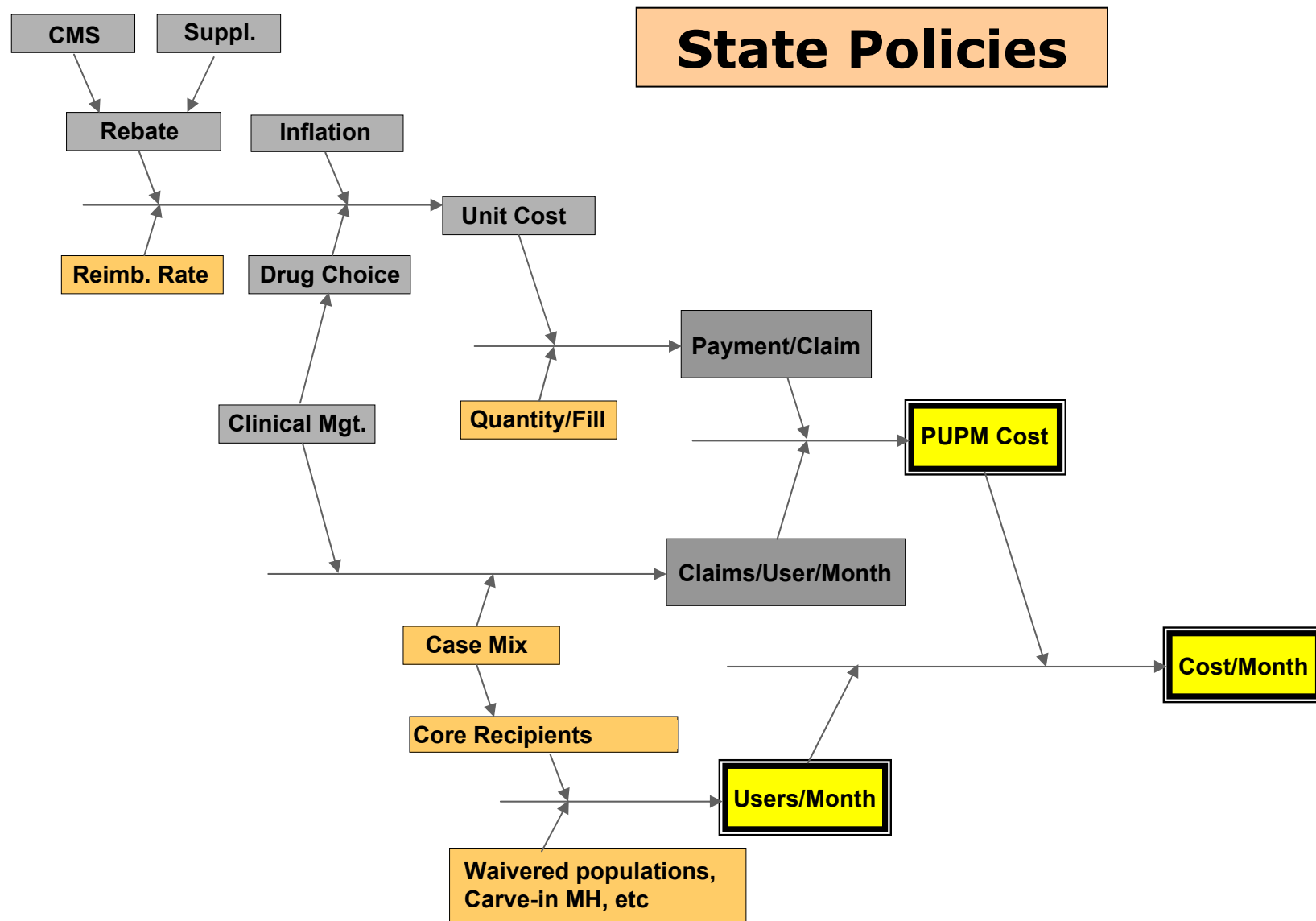


# Pharmacy Cost Drivers

## Complex Interrelationships

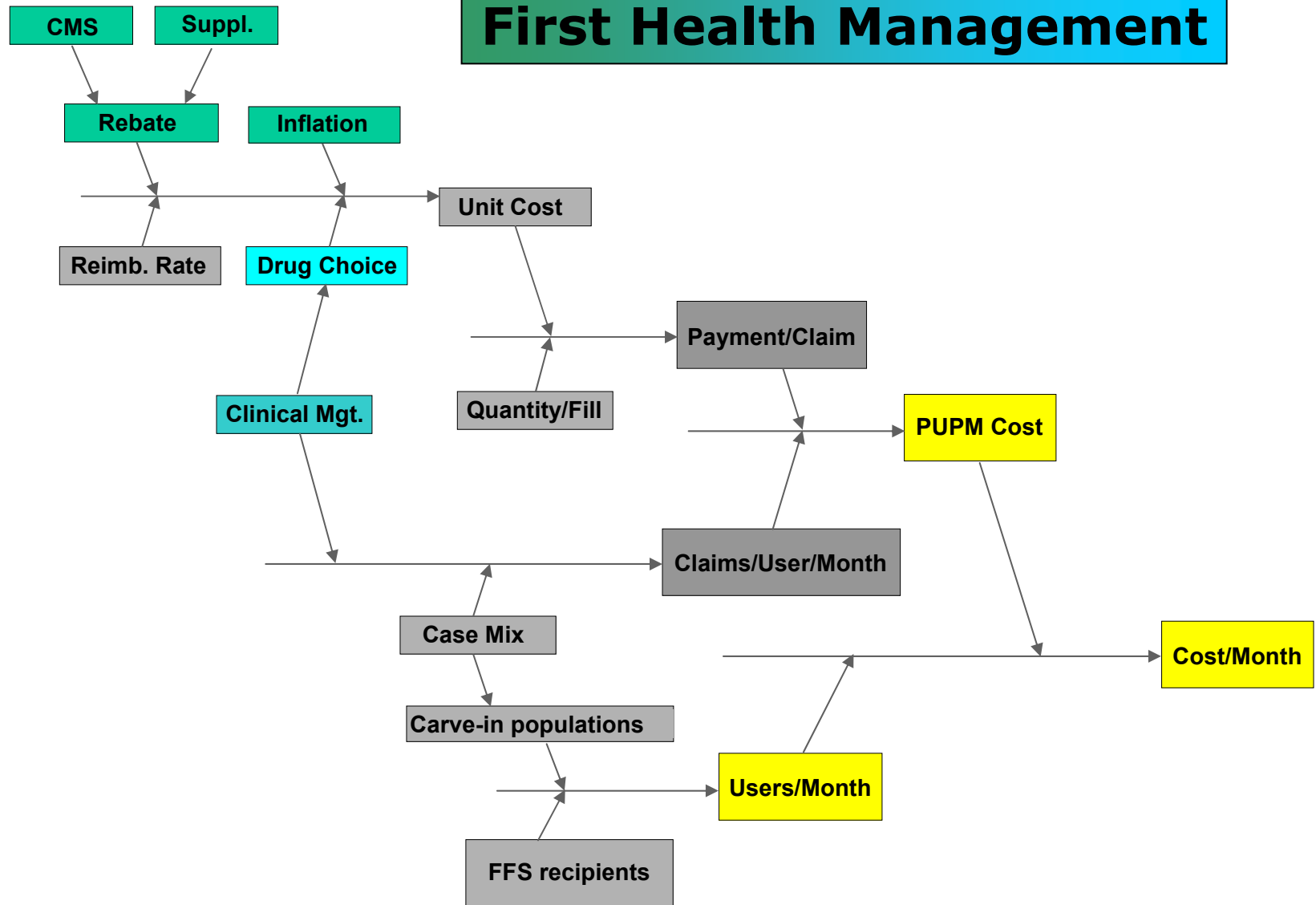


# Pharmacy Cost Drivers



# Pharmacy Cost Drivers

## First Health Management





# Now what?

- Generics to OTC
  - More benefit design than cost savings
  - Manufacturers gambling that the public will pay for the brand
  - Non-issue in Medicaid
  - State will require an Rx and MAC the generic version
- Disease Management in Medicaid
  - Experiments ongoing
  - OPPAGA report in FL said state left \$64.2 M in real dollars on the table by accepting value-added programs
  - FH approach is through coordination of care



# Challenges

- Mental Health Drugs
  - Highly charged issue
  - Advocacy/Pharma influence
  - Valid questions on relative effectiveness need to be addressed for the safety of patients
  - First Health is leveraging its expertise in MH care management to help clients find solutions
- Specialty Pharmacy
  - In-office injectables
  - Not a focus until now
  - High cost/high utilization area
  - Next wave of focused UR



# Challenges

- **PhRMA's Blocking legislation**
  - NY PDL : \$400M in savings, on hold until authorizing legislation passed
  - Attempts to limit scope:
    - carving out drug classes,
    - limiting use of prior authorization
    - Grand-fathering current patients/drugs
- **Canadian re-importation**
  - Difficult Policy Decision



# Wrap-up

- Medicaid is in long term financial trouble even with the transfer of some dual eligibles to the Medicare drug benefit
- First Health has a major and growing presence in the Medicaid market with a proven tool set
- First Health is an innovator and is bringing advanced systems and solutions to the market